

## Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-08 FRB-03  
INR-10 NSAE-00 ICA-11 TRSE-00 XMB-02 OPIC-03  
SP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-07  
CEA-01 L-03 ABF-01 FS-01 PA-01 AGRE-00 /097 W  
-----109587 131216Z /17

R 121649Z APR 78  
FM AMEMBASSY LISBON  
TO SECSTATE WASHDC 5415  
INFO AMCONSUL OPORTO POUCH  
AMCONSUL PONTA DELGADA POUCH

C O N F I D E N T I A L LISBON 2777

E.O. 11652: GDS  
TAGS: ECON; EFIN, ELAB, PO  
SUBJECT: RECENT MINIMUM WAGE AND PENSION INCREASES

REF: LISBON 2584

1. ECON COUNSELOR DISCUSSED REF SUBJECT WITH HIGH LEVEL  
GOP OFFICIAL APRIL 11. LATTER OFFERED FOLLOWING COMMENTS  
ON RECENT GOP DECISION.

2. MINIMUM WAGES: GOP OFFICIAL MAINTAINED THAT INCREASE  
IN MINIMUM WAGES COULD AFFECT NO MORE THAN 6 PERCENT OF THE  
WORK FORCE. HE NOTED THAT MALE RURAL WORKERS ALREADY EARN  
MORE THAN THE NEW MINIMUM, BUT CONCEDED THAT FEMALE RURAL  
WORKERS WILL LIKELY RECEIVE SOME INCREASE. VERY FEW  
INDUSTRIAL WORKERS WILL BE AFFECTED. IN FACT, THE FINAL  
DECREE, WHEN PUBLISHED, WILL TEND TO REDUCE THE NUMBER OF  
WORKERS COVERED BY THE MINIMUM WAGE. FOR EXAMPLE, FIRMS  
EMPLOYING FIVE OR LESS EMPLOYEES AND COMPANIES THAT ARE  
IN ECONOMIC SECTORS OFFICIALLY RECOGNIZED TO BE FACING  
SEVERE ECONOMIC PROBLEMS WILL BE EXEMPT FROM APPLYING  
THE MINIMUM WAGE. IN ADDITION, ANY COMPANY DEMONSTRATING  
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THAT THE NEW MINIMUM WAGE WOULD RAISE ITS TOTAL WAGE  
BILL BY 10 PERCENT OR MORE WILL ALSO BE EXEMPT.

3. PENSIONS: THE RAISE IN PENSIONS ADMITTEDLY EXCEEDS  
THE OFFICIALLY-ANNOUNCED MAXIMUM WAGE INCREASE GUIDELINE  
FOR 1978. THE GOP OFFICIAL NOTED, HOWEVER, THAT THE  
INCREASE WILL NOT BECOME EFFECTIVE UNTIL JUNE, RATHER THAN

BEING RETROACTIVE TO LAST JANUEARY, AS HAD BEEN ANTICIPATED.  
THE GOVERNMENT HAS MINIMIZED THE EFFECT OF PENSION INCREASES  
BY DELAYING THEIR IMPLEMENTATION FOR ALMOST SIX MONTHS.

4. LABOR CONTRACTS: THE GOP HAD SERIOUSLY DEBATED THE  
QUESTION OF REDUCING LABOR CONTRACT LONGEVITY FROM 18 TO  
12 MONTHS BEFORE ANNOUNCING ITS DECISION. SOME GOP OFFICIALS  
HAD WANTED TO GAIN A CONCESSION FROM THE UNIONS IN RETURN  
FOR THIS BENEFIT. PRIME MINISTER SOARES OVERRULED THEM ON  
THE GROUNDS THAT THE CGTP-INTERSINDICAL WOULD NOT  
NEGOTIATE ON A NATIONAL BASIS. HOWEVER, SOARES DETERMINED,  
THAT CONTRARY TO WHAT SEVERAL MINISTERS HAD PROPOSED, WAGES  
WILL NEITHER BE INDEXED TO CONSUMER PRICES NOR READJUSTED  
MID-WAY THROUGH THE LIFE OF A LABOR CONTRACT.

5. CONCLUSION: GOP FEELS ITS DECISION ON MINIMUM WAGES  
AND PENSIONS GAVE IT A SIGNIFICANT PUBLIC RELATIONS VICTORY  
AT LITTLE REAL ECONOMIC COST. PRESS COVERAGE AND EMBASSY  
CONTACTS WITH PRIVATE SECTOR TEND TO CONFIRM THAT THE  
GOP DECISIONS HAD A FAVORABLE IMPACT, EVEN IN LABOR  
CIRCLE. HOPEFULLY THIS IMPACT WILL HELP EASE PUBLIC  
REACTION TO AN IMF AGREEMENT AND THE AUSTERITY EXPECTED  
THEREFROM.

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## Message Attributes

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